KILLI LTD. (formerly, Freckle Ltd.)

DATED: August 27, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the consolidated financial statements of Killi Ltd. (formerly, Freckle Ltd.) (“Killi” or “the Company”) and the notes to those statements as at the six months ended June 30, 2021. The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of Killi’s management. The consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34 and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Dollar amounts are expressed in Canadian dollars unless otherwise noted.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

The following MD&A contains forward-looking information and forward-looking statements. Except for statements of historical fact that address activities, events, or developments that the Company believes, expects, or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve several risks and uncertainties, including statements regarding: the addition of accounts and the conversion of such accounts to users; the growth of the Company’s active user base; the Company’s strategic partnerships; the Company’s growth of revenue generated; the Company’s plans to scale its business; the Company’s communications with accounts; the introduction of new products and features such as Killi Paycheck; improvements to user experience on the Killi platform; and the outlook for the Company’s business and results of operations. Forward-looking statements include those identified by the expressions “will”, “may”, “should”, “continue”, “anticipate”, “believe”, “plan(s)”, “estimate”, “project”, “expect”, “intend” and similar expressions to the extent that they relate to the Company or its management. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such risks and uncertainties include, but are not limited to: the Company may not be successful in acquiring data, adding accounts to its platform, or converting such accounts to users; the Company’s active user base may not grow despite the Company’s efforts; the Company may not be able to cultivate strategic partnerships in the future; the Company’s revenue may not increase over time; the Company may not be able to scale its business; the Company may not be successful in obtaining opt-in from the accounts; the Company may not introduce any new products or features; the Company may not be able to improve user experience on the Killi platform; the ability of the Company to implement its growth strategy and the uncertainty surrounding the spread of COVID-19 and the impact it will have on the Company’s operations and economic activity in general. Forward-looking statements are provided to assist external stakeholders in understanding management’s expectations and plans relating to the future as of the date of this MD&A and may not be appropriate for other purposes. Forward-looking statements are made as of the date of this MD&A, and Killi disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers should not place undue reliance on the Company’s forward-looking statements.

OVERVIEW OF THE BUSINESS

Killi is a company driven by consumer data and privacy evolution. Offering compliant, first-party data to brands, agencies, platforms, and data companies, Killi allows consumers to visit the platform, confirm their identity, and unveil data that has been collected and sold on them for years. Killi enables consumers to take back control of this data by setting up a Killi account where, should they choose to, they can be compensated for using their data.

On May 29, 2020, the Company finalized a definitive asset purchase agreement with PlaceIQ, Inc. ("PlaceIQ") to sell certain assets of the Company's offline attribution and data, which allows the Company to focus on the Killi product.

Killi Highlights for Q2 2021

- Announced Facebook Unveil, enabling consumers to determine if they were part of the 533 million Facebook data breach in April and place this data back under their control;
- Partnered with global data provider Lotame to assist companies and brands with a "cookieless" future;
- Announced Coinbase users are now able to redeem Bitcoin or Ethereum in exchange for the use of their data;
- Awarded Neutronian Data Certification, validating Killi's data quality, transparency, and compliance;
- Continued to expand the Fair Trade Audiences by offering 1,000+ CCPA compliant, off-the-shelf segments with ubiquitous distribution.

Key Performance Indicators (KPIs) for Q2 2021

Following our efforts to scale data accounts and distribution channels, Killi is successfully executing its business-to-business (B2B) strategy of selling unique consumer data to a large and growing list of clients. Although our business has seasonality (mainly in the fourth calendar quarter) and our B2B sales efforts are beginning to ramp, we track our progress with the following KPIs:

- Increased the number of B2B customers from 46 in Q1-21 to 65 as of the end of Q2-21 (+41%);
- Added three new platform integrations during the quarter, bringing the total number of integrations to 14, up 56% from Q4-20 and 27% from Q1-21;

OBJECTIVES AND OUTLOOK

Through strategic partnerships with data publishers, the Company now has over 320 million accounts in its platform versus 10,000 data profiles a year ago. Although the Company anticipates this number will continue to grow in the coming quarters, Killi's priority is to continue focusing on its business-to-business (B2B) strategy of monetizing consumer data to brands & agencies, platforms, and data companies. The company is seeing early solid uptake, with a growing list of customers buying its high-fidelity, compliant consumer data.

The US$245 billion[1] data market is transitioning from one of no compliance or inclusion to one that legally requires it. Recently, the EU, Canada, California, Colorado, and Virginia have passed consumer data

[1] https://www.statista.com/statistics/1135046/value-of-data-market-us/#statisticContainer

privacy laws requiring more consumer inclusion. Furthermore, an additional 31 U.S. states have proposed privacy Bills that focus on consumer inclusion and privacy. In the absence of a U.S. federal data privacy law (although the *Information Privacy and Data Transparency Act* was re-introduced), enterprises that use unconsented consumer data face legal and logistical issues to remain compliant across state lines.

Compounding these privacy issues are the actions taken by big technology firms to protect user data. Apple now allows iOS users to opt out of ad tracking. At the same time, Google announced it would ban third-party cookies in Chrome, reducing the data supply available for firms dependent upon this variable for monetization. There are currently 1.8b websites in operation today that rely on this deprecating cookie as the core identifier for monetization.

The Company stands to benefit from our scale of data as brands, agencies, and platforms are cut off from their previous supply and are forced to look to new companies that can provide data at scale that is both compliant and not exposed to cookies. As the industry collapses, Killi is positioned to take advantage of all current data buyers looking for a new supplier.

The company anticipates continued growth in the number of customers buying its data and expects that as the segmenting of the data and internal sales team grows, per account revenue should move higher over time. Seasonally, we anticipate Q3 and Q4 to be the most prolific revenue periods for the business, with current customers purchasing more considerable amounts of data versus Q1 and Q2.

Key goals for Q3 2021

- Expand the sales team, including the new Vice President of Sales, integrating into two new platforms while increasing revenue in existing platforms;
- Focus marketing and sales efforts on the strong North American market, primarily the United States and Canada;
- Rebrand Killi to better align with the Company's strategy of becoming the default destination for consumers to access their data.

Accounts vs. Active Users

In addition to individuals signing up directly to the Killi platform, the Company acquires consented data through paid partnerships with third parties and partnerships with publishers and data companies. After integrating the data, the Company contacts each account to notify them of how they can access their data while allowing them to take advantage of the income opportunities offered in the Company's ecosystem. Killi is the only company in the world today offering consumers access to the data that has historically been collected and sold without their participation. Upon joining the Killi platform, the Company recognizes such an account as "consented" and is integrated into the Company's ecosystem.

In the event the account opts out, the account is removed from the Company's platform.

SUMMARY OF FINANCIAL AND OPERATING RESULTS

Selected Financial Information

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Revenue	**$ 171,070**	$ 10,252	**$ 328,058**	$ 25,287
Cost of Services	**255,336**	2,022	**480,504**	7,571
Gross Margin	**(84,266)**	8,230	**(152,446)**	17,716
General and administrative	**540,171**	398,648	**773,530**	1,066,691
Research and development	**244,518**	417,354	**451,896**	1,134,908
Selling and business development	**274,155**	79,802	**572,181**	187,275
Marketing	**432,760**	66,786	**891,296**	160,450
Loss from discontinued operations	**-**	(441,894)	**-**	73,579
Total comprehensive loss for the period	**$ (1,502,425)**	$ (1,276,051)	**$ (2,809,599)**	$ (2,621,992)

a) Revenue

The Company currently generates revenue through two revenue streams: identity and platform. Identity revenue is generated by selling derivative data products that consist of new identifiers and consent. Platform revenue is generated by selling audience segments to data platforms. The following chart shows the breakdown of revenue earned in the various channels for the three and six months ended June 30, 2021 and 2020.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Revenue				
Identity	**$ 66,859**	$ 10,252	**$ 127,537**	$ 25,287
Platform	**104,211**	-	**200,521**	-
Total revenue	**$ 171,070**	$ 10,252	**$ 328,058**	$ 25,287

The Company's Q2 revenues increased over the same period last year. This increase was due to the Company's focus on monetizing the scale and distribution it secured in Q2 2020.

The Company's other income is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2021**	2020
Other income				
Gain on sale of Freckle business unit	**$ 92,690**	$ (21,643)	**$ 108,655**	$ (21,643)
Interest income	**3,273**	5,401	**6,272**	3,355
Total other income	**$ 95,963**	$ (16,242)	**$ 114,927**	$ (18,288)

This gain on sale is directly related to the definitive asset purchase agreement with PlaceIQ. Revenue share from the sold book of business has been recognized and is offset by legal expenses directly attributable to the transaction.

Interest income relates to interest earned on funds held as part of the GIC and a deposit account.

b) Cost of Services/Gross Margin

The Company's cost of services are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Data Engineering				
Salaries	**$ 78,814**	$ -	**$ 145,374**	$ -
Hosting fees	**127,101**	-	**236,299**	-
Total data engineering costs	**$ 205,915**	$ -	**$ 381,673**	$ -
Management Platforms	**49,421**	2,022	**98,831**	7,571
	$ 255,336	$ 2,022	**$ 480,504**	$ 7,571

The Company's Q2 cost of services increased over the same period last year. As Killi is now generating revenue, the data engineering costs are salaries, benefits, and web hosting/processing fees directly associated with sales being recorded here, rather than in Research and Development. Management platforms are costs primarily related to running surveys with our strategic partners.

The Company's gross margin is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Revenue	**$ 171,070**	$ 10,252	**$ 328,058**	$ 25,287
Cost of Services	**255,336**	2,022	**480,504**	7,571
Gross Margin	**$ (84,266)**	$ 8,230	**$ (152,446)**	$ 17,716
Gross Margin %	**-49%**	80%	**-46%**	70%

For the six months ended June 30, 2021, the Company recognized additional costs for the cost of services mentioned above. These costs are associated with generating audience segments. The Company has been building relationships with agencies and brands to increase awareness of the Killi Fair Trade Audience segments and is currently integrated into 14 platforms, an increase over Q1 and Q4. Through automation and growing revenue in platforms, the Company should see improved gross margins for Audience segment revenues and should enhance the Company's top-line revenue in the coming quarters.

c) General and administrative

The Company's general and administrative expenses as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Salaries, benefits and recruiting	**$ 177,007**	$ 171,667	**$ 324,081**	$ 421,548
Professional fees	**283,256**	146,460	**403,833**	332,347
Office and personnel	**61,828**	56,372	**98,896**	233,765
Other	**42,726**	7,411	**40,009**	(50,440)
Establishments	**8,502**	39,630	**16,620**	97,284
Foreign exchange gains/losses	**(33,148)**	(22,892)	**(109,909)**	32,187
	$ 540,171	$ 398,648	**$ 773,530**	$ 1,066,691

General and administrative expenses increased by 36% (YTD 2021 – decreased 27%) from Q2 2020 to Q2 2021.

Salaries, benefits, and recruiting ("staffing") increased by 3% (YTD 2021 – decreased 23%) from Q2 2020 to Q2 2021. The YTD decrease is primarily due to a reduction in staff and new funding the Company received from the Canada Emergency Wage Subsidy (CEWS) that started in Q2 2020. The Canadian Government implemented CEWS to ease the businesses affected by COVID-19 back into everyday operations.

Professional fees have increased by 94% (YTD 2021 – 22%) from Q2 2020 to Q2 2021. The increase is related to an increase in investor relations, legal fees, and external consultants.

Office and personnel expenses increased by 10% (YTD 2021 – decrease 58%) from Q2 2020 to Q2 2021. The YTD decrease is related to decreased headcount and working from home due to COVID-19.

Establishment expenses decreased by 79% (YTD 2021 – decrease 83%) from Q2 2020 to Q2 2021. The reduction in costs is directly related to terminating the New York Lease and funding the Company received from the Canadian Emergency Rent Subsidy (CERS).

d) Research and development

Research and development costs are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Salaries, benefits, contractors and recruiting	**$ 192,979**	$ 368,102	**$ 350,886**	$ 1,041,836
Licenses, dues and subscriptions	**29,919**	11,619	**57,491**	24,549
Cloud hosting, data processing and storage	**17,505**	25,630	**37,049**	48,615
Other	**4,115**	12,003	**6,470**	19,908
	$ 244,518	$ 417,354	**$ 451,896**	$ 1,134,908

Research and development expenses decreased by 41% (YTD 2021 – decrease 60%) from Q2 2020 to Q2 2021.

Salaries, benefits, contractors, and recruiting decreased by 48% (YTD 2021 – decrease 66%) from Q2 2020 to Q2 2021. The decline is due to reduced headcount and significantly reducing the reliance on high-cost, third-party outsourced development. Data engineering salaries recorded as Research and Development costs in Q2 2020 have been reclassified to cost of services. Government funding received from CEWS further reduced staffing costs.

Licenses, dues, and subscriptions increased by 158% (YTD 2021 – 134%) from Q2 2020 to Q2 2021. The increase is due to onboarding more tools for project management, application performance and testing.

Cloud hosting, data processing and storage decreased by 32% (YTD 2021 – declined 24%) from Q2 2020 to Q2 2021. This decrease is due to data engineering hosting fees that were recognized as research and development costs in Q2 2020 have been reclassified to cost of services

e) Selling and Business Development

The Company's selling and business development expenses for continued operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Salaries, commissions, benefits, contractors and recruiting	**$ 265,437**	$ 78,187	**$ 539,713**	$ 180,810
Travel, meals and entertainment	**8,718**	306	**20,951**	5,156
Other	**-**	1,309	**11,517**	1,309
	$ 274,155	$ 79,802	**$ 572,181**	$ 187,275

Selling and business development expenses increased by 239% (YTD 2021 – 198%) from Q2 2020 to Q2 2021. The Company is committed to investing heavily in sales and business development to expand the growth on top-line revenue.

Salaries, commissions, benefits, contractors, and recruiting increased by 239% (YTD 2021 – 198%) from Q2 2020 to Q2 2021 due to the number of employees rising 150% as the Company focuses on increasing revenue.

Travel, meals, and entertainment increased by 2,749% (YTD 2021 – 306%) from Q2 2020 to Q2 2021. The increase is due to a reduction in COVID-19 travel restrictions, increased meetings with current and potential customers, and a sales staff.

f) Marketing

The Company includes costs to acquire and retain Killi users, marketing staff, promotional and other marketing costs in marketing costs and are broken down as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
User retention	**$ 203,795**	$ 22,095	**$ 439,146**	$ 67,020
Salaries, benefits and contractors	**99,145**	17,001	**197,458**	33,734
Advertising and promotion	**57,315**	9,367	**179,377**	26,684
User acquisition	**67,197**	18,234	**69,335**	32,620
Other	**5,308**	89	**5,980**	392
	$ 432,760	$ 66,786	**$ 891,296**	$ 160,450

Marketing expenses increased by 548% (YTD 2021 – 455%) from Q2 2020 to Q2 2021. This increase represents Killi's continued investment to build awareness of the Company, brand, and offerings.

User retention increased by 822% (YTD 2021 – 555%) from Q2 2020 to Q2 2021. The increase is due to successfully executing user scale initiatives and the introduction of the Killi Paycheck. In the comparative period earning opportunities were limited for active users.

Salaries, benefits, and contracts increased by 483% (YTD 2021 – 485%) from Q2 2020 to Q2 2021. This increase is due to increased headcount and hiring senior marketing staff partially offset by government funding received from CEWS.

Advertising and promotion increased by 512% (YTD 2021 – 572%) from Q2 2020 to Q2 2021. This increase is due to increased brand presence across the United States and user testing.

User acquisition increased by 269% (YTD 2021 – 113%) from Q2 2020 to Q2 2021. This increase is due to the costs of strategic data partnerships that did not exist in Q2 2020.

SELECT QUARTERLY RESULTS

	2021		**2020**				**2019**			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue - continued operations	328,058	123,468	142,870	9,686	10,252	15,035	13,528	2,269	9,006	2,923
Revenue - discontinued operations	-	-	-	-	-	1,234,712	996,437	860,454	746,609	824,456
Total revenue	**328,058**	**123,468**	**142,870**	**9,686**	**10,252**	**1,249,747**	**1,009,965**	**862,723**	**755,615**	**827,379**
Cost of services - continued operations	480,504	203,464	351,420	32,860	2,022	5,549	9,570	-	-	-
Cost of services - discontinued operations	-	-	(14,119)	(59,321)	159,455	354,469	199,682	228,751	424,744	320,994
Total cost of services	**480,504**	**203,464**	**337,301**	**(26,461)**	**161,477**	**360,018**	**209,252**	**228,751**	**424,744**	**320,994**
Gross profit - continued operations	(152,446)	(79,996)	(208,550)	(23,174)	8,230	9,486	3,958	2,269	9,006	2,923
Gross profit - discontinued operations	-	-	14,119	59,321	(159,455)	880,243	796,755	631,703	321,865	503,462
Total gross profit	**(152,446)**	**(79,996)**	**(194,431)**	**36,147**	**(151,225)**	**889,729**	**800,713**	**633,972**	**330,871**	**506,385**
Total Operating and Other	**2,573,974**	**1,178,335**	**794,594**	**1,225,557**	**1,261,271**	**1,953,572**	**2,686,745**	**2,592,512**	**4,295,012**	**1,752,822**
Net Loss	**(2,726,420)**	**(1,258,331)**	**(989,025)**	**(1,189,410)**	**(1,412,496)**	**(1,063,843)**	**(1,886,032)**	**(1,958,540)**	**(3,964,141)**	**(1,246,437)**

CASH FLOWS

The Company's cash position was $3,634,705 on June 30, 2021 compared to $1,063,045 on June 30, 2020.

	Six months ended June 30,			
		2021		2020
Cash flows used in operating activities before working capital	**$**	**(2,779,953)**	$	(2,364,015)
Changes in working capital		**345,903**		211,928
Cash flows used in operating activities		**(2,434,050)**		(2,152,087)
Cash flows from financing activities		**4,523,777**		1,021,868
Cash flows from (used in) investing activities		**108,655**		(25,089)
Foreign currency translation difference		**(83,177)**		(145,774)
Increase (decrease) in cash	**$**	**2,115,205**	$	(1,301,082)

Operating activities:

For the six months ended June 30, 2021, cash spent on operating activities increased by 18% compared to last year's same period. This increase is primarily due to increased marketing efforts, headcount, and revenue not yet growing at the pace of expenses.

Financing activities:

For the six months ended June 30, 2021, cash received from financing increased by 343% compared to last year's same period. This increase is due to the funding received from the oversubscribed non-brokered private placement.

ACCOUNTING POLICIES

See Note 3 of the unaudited condensed consolidated interim financial statements for a summary of all significant accounting policies.

CRITICAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors considered relevant under the circumstances. Revisions to estimates and the effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The estimates, judgments and assumptions applied in the interim condensed unaudited condensed consolidated interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2020.

RISK FACTORS AND UNCERTAINTIES

The Company is focused on expanding its business internally through growth with existing customers and scaling Killi to achieve continued growth and profitability. Nevertheless, the Company's future financial outlook will depend on its ability to find and secure financing and continuously introduce new products and enhancements to its customers. Other additional risks and uncertainties are described below.

a) Evolving Business Model

Killi's business model will continue to evolve. Killi seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that Killi will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

b) History of Net Losses, Future Net Losses, Profitability not Guaranteed.

Killi has incurred losses in recent financial periods. Killi may not achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Killi expects to continue to increase operating expenses as it implements initiatives to grow its business. If Killi does not earn sufficient revenues to offset these expected increases in costs and operating expenses, Killi will not be profitable. There is no assurance that future revenues will be adequate to generate the funds required to continue operations without external funding.

c) Future Capital Needs

Killi may need to raise funds through public or private financing if Killi incurs operating losses or requires substantial capital investment or for Killi to respond to unanticipated competitive pressures or take advantage of unforeseen opportunities. There can be no assurances that additional financing will be available on terms favorable to Killi or at all. Killi faces risks frequently encountered by early-stage entities. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams while maintaining adequate cost controls. Any failure to expand is likely to have a material adverse effect on Killi's business, financial condition and results.

d) Limited Operating History

Killi became a public company in June 2019 and has a limited operating history as a public company. This lack of operating history may make it difficult for investors to evaluate Killi's prospects for success and there is no guarantee that Killi's business model will achieve its strategic objectives. There is no assurance that Killi will be successful and the likelihood of success must be considered in light of its relatively early stage of operation.

Killi is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Killi will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

e) Limited Operating History

This lack of operating history and operating in a relatively new and rapidly evolving industry may make it difficult for investors to evaluate Killi's prospects for success. There is no guarantee that Killi's business model will achieve its strategic objectives.

f) Foreign Exchange Exposure

Killi continues to seek to expand its operations into the US and international markets. Fluctuations in the currency exchange rate may affect the revenue and operations of Killi. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales in foreign markets grows.

g) Jurisdictional Risks

Killi is exposed to risks of changes in government policies, laws, and regulations in the countries in which it may operate or do business. Any changes in regulations or political conditions may adversely affect Killi's business. Killi's operations may be affected by government regulations, including those concerning privacy laws and the use of personal data. In the event of a dispute arising from Killi's foreign operations, Killi may be subject to the jurisdiction of foreign courts or may not be successful in subjecting foreign companies or individuals to the jurisdiction of Canada.

h) Allegations of Intellectual Property Infringement

If Killi's products, services, or solutions employ subject matter that is claimed under its competitors' intellectual property ("**IP**"), those companies may bring infringement actions or other IP claims against Killi.

Infringement and other IP claims can be expensive, and the result of any litigation is uncertain. Killi may not have the resources to defend against any infringement or IP claims. As the result of any court judgment or settlement, Killi may be forced to alter its business or discontinue certain products.

i) Misappropriation of Killi's IP

Protection of Killi's IP is vital to its success. Killi currently protects its IP rights by registering its trademarks and has taken steps to patent certain inventions. These precautions may not be sufficient to prevent the misappropriation of Killi's IP or deter independent development of similar products and services by competitors of Killi.

Litigation may be necessary to enforce Killi's IP rights. Regardless of the outcome, IP litigation could result in substantial costs, adverse publicity, or diversion of management and technical resources, any of which could adversely affect Killi's business. Moreover, due to the differences in foreign IP laws, Killi's IP may not receive the same degree of protection in foreign countries as it would in Canada or the United States. Killi's failure to maintain adequate protection of its IP rights for any reason could have a material adverse effect on its business.

j) Failure to Protect Platform

Any failure to protect Killi or Killi's platforms could harm its business and competitive position. There can be no assurance that any steps Killi has taken or intends to take will be adequate to defend and prevent misappropriation of technology, including the possibility of reverse engineering and the possibility that potential competitors will independently develop technologies that are designed around and are substantially equivalent or superior to Killi's technology.

k) Market Price Fluctuation

The market price of shares of Killi may be subject to wide fluctuations in response to many factors, including variations in the operating results of Killi and its subsidiaries, divergence in financial results from market expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Killi and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of Killi's control. In addition, stock markets have, from time to time, experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for shares of Killi.

l) Privacy Regulations

In addition, there are several federal and provincial laws protecting the confidentiality of personal information and restricting the use and disclosure of that protected information. In particular, the privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) ("**PIPEDA**"), protect personal information by limiting their use and disclosure of personal information. Suppose Killi was found to violate the privacy or security rules under PIPEDA or other laws protecting the confidentiality of personal information. In that case, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of Killi.

Killi is s also subject to the state data protection law, **CCPA**. If Killi is found to be in violation of the CCPA it could face fines of up to $7,500 for each intentional violation and $2,500 for each unintentional violation. Private rights of action may, which can be asserted on a class action basis, may also be allowed for violations of the CCPA.

m) Cybersecurity

Killi collects and stores sensitive data, proprietary business information as well as personally identifiable information of its customers and employees in data centers and on information technology networks. The secure operation of these networks and systems is critical to Killi's business operations and strategy. Despite Killi's efforts to protect sensitive, confidential or personal data or information, Killi may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or misconduct that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to Killi's reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

n) Errors or Defects in Software

Due to the complexity and sophistication of Killi’s software, from time to time, it may contain defects, security vulnerabilities, software “bugs” or failures that are difficult to detect, control and correct. Killi may be unable to successfully correct such errors or defects in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, delay or loss in market acceptance or damage to Killi’s brand. Moreover, the consequences of such errors and defects could have a material adverse effect on Killi’s business, growth, financial condition and result of operations.

o) Dependence on Strategic Relationships with Third Parties

Killi anticipates that the growth of its business will continue to depend on select third-party relationships.

p) Failure to Add New Users

The size of the user base of Killi is critical to Killi’s success. Killi’s financial performance has been and will continue to be significantly determined by Killi’s success in adding, retaining, and engaging users of its products. If people do not perceive Killi’s products to be useful, reliable, and trustworthy, Killi may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. If Killi is unable to increase or maintain its user base and user engagement, Killi’s revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render Killi’s products less attractive to users and marketers, which is likely to have a material and adverse impact on Killi’s revenue, business, financial condition, and results of operations.

q) Reliance on Key Customers

Historically, a majority of Killi’s sales have been to a relatively small number of customers for a significant portion of its revenue. While Killi does expect that this reliance will decrease over time, Killi will continue to rely on this relatively small number of customers for the foreseeable future. Killi must add new customers to sustain or increase its existing revenue. Despite Killi’s efforts and investments in business development, sales, and market, it may not be successful in attracting new customers. If Killi fails to do grow its current customer, it will be difficult for Killi to sustain and grow its revenue.

r) Need to Manage Growth

The growth of Killi’s business and its products and services cause significant demands on Killi’s managerial, operational and financial resources. Demands on Killi’s financial resources will grow rapidly with Killi’s expanding customer base. Additional working capital may be required and there are no assurances that access to the capital required for the future growth and expansion plans will be available.

Killi may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Killi to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Killi to deal with this growth may have a material adverse effect on Killi’s business, financial condition, results of operations and prospects.

s) Limited Market for Securities

An active trading market for securities of Killi may not develop or be sustained going forward. The lack of an active market may impair an investor's ability to sell their securities of Killi at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of an investor's securities of Killi. Further, an inactive market may also impair Killi's ability to raise capital by selling securities of Killi and may impair its ability to enter into collaborations or acquire companies or products by using securities of Killi as consideration. The market price of securities of Killi may be volatile, and an investor could lose all or part of their investment. There can be no assurance that an active trading market for the securities of Killi will be sustained.

t) Significant Holdings by Limited Number of Existing Shareholders

Killi's management and directors own many of Killi's outstanding common shares (on a fully diluted basis). As such, Killi's management and directors are in a position to exercise significant influence over matters requiring shareholder approval, including the election of directors and the determination of significant corporate actions.

u) Dependency on Key Personnel

Killi's success depends upon the continued service of its senior management team. Killi employees may voluntarily terminate their employment with Killi at any time. The loss of services of key personnel could have a material adverse effect upon Killi's business, financial condition and results of operation.

v) COVID-19 Outbreak

As of the date of issuance of these consolidated financial statements, the Company's continued operations have not been significantly impacted; however, the Company continues to monitor the situation. The Company was able to apply and qualify for government subsidies related to COVID-19. Bad debt was recognized from a receivable balance related to the Company's discontinued operations from customers who were affected by COVID-19. Due to the significant uncertainty surrounding the pandemic, management's judgment regarding this could change in the future. There are material uncertainties related to the full effects of COVID-19 on the Company's business and operations, particularly on the timing and collections of accounts receivable.

w) Failure to Add New Accounts

The data purchased by Killi to create accounts is a critical element to Killi's success. Killi's financial performance will be significantly impacted by Killi's success in continuing to access such data and adding accounts and obtaining such account's opt-in to the Killi ecosystem, which allows Killi to build comprehensive data sets to sell to its customers. If accounts do not perceive Killi's platform to be useful, reliable, and trustworthy, Killi may not be able to obtain the requisite opt-in or otherwise maintain or increase the value of its data sets. If Killi is unable to increase its accounts, Killi's revenue and financial results may be adversely affected as customers may not purchase Killi's data sets. Any decrease in accounts could render Killi's products less attractive to its customers, which is likely to have a material and adverse impact on Killi's revenue, business, financial condition, and results of operations.

SHARE CAPITAL

The company had the following outstanding:

	As at June 30, 2021	As at December 31, 2020
Common shares	**67,377,894**	60,204,343
Warrants	**7,054,818**	1,896,620
Stock Options	**1,505,886**	1,806,952

As of June 30, 2021, the Company had 67,377,894 shares, 7,054,818 warrants and 1,505,886 stock options of which 630,221 were exercisable.

FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal controls and sound business practices.

The Company's financial instruments and the nature of the risks which they may be subject to are set out in the following table.

	Risks			
			Market	
	Credit	Liquidity	Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	
Trade receivables	Yes		Yes	
Other receivables	Yes		Yes	
Trade and other liabilities		Yes	Yes	
Loan Payable		Yes		Yes

The carrying values of cash and cash equivalents, trade receivables, other receivables, trade and other liabilities and loan payable approximate their fair values due to their relatively short periods to maturity.

Credit risk

Credit risk arises from cash held with banks and trade receivables and these financial assets are subject to the expected credit loss model. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions and minimizes the credit risk of trade receivables by monitoring the counterparty's creditworthiness and setting exposure limits.

Trade accounts receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past the transaction date. The expected loss rates are based on the payment profiles of sale over a period of 24 months before June 30, 2021. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers and the GDP and unemployment rate of the countries in which the Company sells goods into to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at June 30, 2021, and December 31, 2020 was determined as follows for trade receivables:

Trade receivables (Note 5) are the result of billings of services performed. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

The carrying amount of trade receivables are reduced through the use of an allowance for credit loss and the amount is recognized in the unaudited condensed consolidated interim statement of loss and comprehensive loss in general and administrative expenses. The Company closely monitors all receivable balances, when a balance is over 180 days past the transaction date the Company evaluates whether this balance is uncollectible. It is determined to be uncollectible when the customer has ceased communications for greater than 90 days or has communicated non-payment due to liquidity issues and the Company does not believe other recourses would be financially beneficial and there is no reasonable expectation of recovery. When a receivable balance is considered uncollectible, it is written off against the allowance for credit loss. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the consolidated statements of loss and comprehensive loss. As of June 30, 2021, it was determined that an allowance for credit loss of $14,094 (2020 – $9,541) was required and wrote off uncollectible balances of $nil (2020 – $154,455).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at June 30, 2021 and December 31, 2020:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at June 30, 2021					
Trade and other liabilities	**$ 1,033,089**	**-**	**-**	**-**	**$1,033,089**
Loan Payable	**747**	**1,495**	**6,726**	**29,895**	**38,863**
	$ 1,033,836	**$ 1,495**	**$ 6,726**	**$ 29,895**	**$1,071,952**
As at December 31, 2020					
Trade and other liabilities	$ 848,544	-	-	-	$ 848,544
Loan Payable	5,769	11,539	11,748	34,379	63,435
	$ 854,313	$ 11,539	$ 11,748	$ 34,379	$ 911,979

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the fair value of a financial instrument or its future cash flows.

The Company operates internationally with a subsidiary in the United States. The Company is, therefore, subject to foreign currency risk. The Company reports its financial results in Canadian dollars. Most of the Company's revenues are transacted in U.S. currency. The Company incurs expenses in both Canadian and U.S. dollars. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

As at June 30, 2021, the Canadian entities US-dollar net monetary assets totaled approximately US -$222,503 (CAD -$271,877) (December 31, 2020, net monetary assets – US $254,593 (CAD $326,083)) and the Company's United States subsidiaries US-dollar monetary net liabilities totaled approximately US -$10,698 (CAD $13,072) (2020 – US $11,384 (CAD $14,581)). A 10% strengthening in the Canadian dollar against the United States dollar as at June 30, 2021 would have increased comprehensive loss and decreased shareholder's equity by $28,495 (2020 - $32,608). A 10% weakening would have had the equal but opposite effect. This analysis assumes that all other variables remain constant.

Capital management

The Company's objective in managing capital is to ensure sufficient liquidity to develop technology, engage in sales and marketing activities while at the same time taking a conservative approach toward financial leverage and management of financial risk. For the three months ended June 30, 2021, the Company utilized the public capital markets to help manage working capital requirements. In upcoming years the Company will continue to utilize public capital markets until the Company reaches a maturity point whereby other capital such as debt financings may become available to manage its capital obligations.

The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to fund operations and proceed with rapid product development that will support the evolving data driven industries.

CONTRACTUAL OBLIGATIONS

The company has non-cancellable contracts for rent and cost of services, the commitments are as follows:

	As at June 30, 2021
Less than one year	$ 341,058
Between one and five years	-

OFF BALANCE SHEET ARRANGEMENTS

The company does not have any off-balance sheet arrangements.

KEY MANAGEMENT COMPENSATION

Included in salaries, benefits and recruiting within general and administrative expenses on the statement of loss and comprehensive loss for the six months ended June 30, 2021 are the amounts of $nil (six months ended June 30, 2020 - $2,242) for a vehicle provided to an officer of the Company and $6,600 (six months ended June 30, 2020 - $6,600) earned by an individual related to the same officer of the Company.

Compensation for key management personnel, including the Company's officers and directors, was as follows for the period:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Salaries, benefits and contractors	**$ 68,500**	$ 175,192	**$ 171,511**	$ 463,604
Stock based compensation	**2,542**	7,991	**11,380**	18,106
Board fees and related stock based compensation	**7,009**	-	**13,941**	817
Total key management compensation	**$ 78,051**	$ 183,183	**$ 196,832**	$ 482,527

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period. Revenue and Cost of Services have both increased in the amount of $33,520 for six months ended June 30, 2021 ($nil – for the six months ended June 30, 2020), previously platform charges were netted against revenue rather than reflected in the Cost of Services.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements of Killi Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts that are based on management's best estimates that have been made using careful judgement. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the consolidated financial statements. Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded, and the financial records are reliable for preparing consolidated financial statements.